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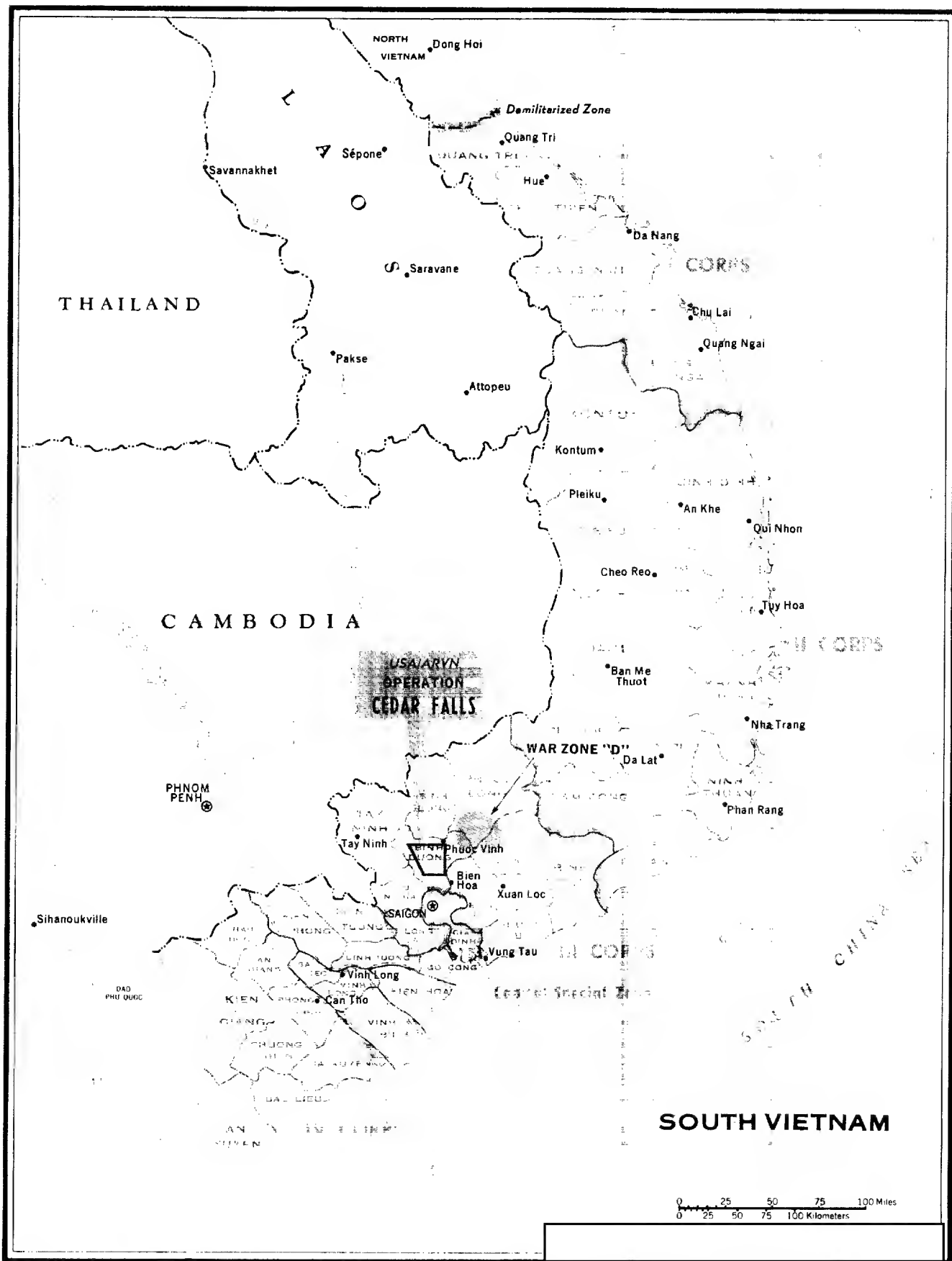
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*Vietnam: (Information as of 4:30 AM EST)

The Military Situation in South Vietnam: Allied troops participating in Operation CEDAR FALLS north-west of Saigon continue to find significant enemy installations and supplies, despite limited combat.

Elements of the 23 allied battalions in the operation on 18 January uncovered a second major underground tunnel and cave complex within the operational area, a Viet Cong stronghold labeled the Iron Triangle. The tunnel complex, which was extensively mined and booby-trapped, is possibly the site of the Viet Cong Military Region IV headquarters which coordinates enemy actions in and around Saigon and is a major target of the allied search.

Thirty Guam-based B-52 bombers yesterday struck a target area on the fringe of the Iron Triangle, near the Communist redoubt known as War Zone "D." The bombing mission employed an incendiary type of cluster bomb and was designed to determine techniques for destroying large jungle areas. The strikes may have hit concentrations of Communist troops who were reported fleeing toward Zone "D" from the Operation CEDAR FALLS area.

Southwest of Saigon yesterday Communist forces attacked a town in the Mekong delta area, killing 16 South Vietnamese and wounding 54, and also overran a paramilitary outpost, killing nine defenders. South Vietnamese Army operations have been launched in reaction to both attacks, but so far no contact has been reported with the enemy whose losses are unknown.

Political Developments in South Vietnam: Nguyen Huu Co, the most prominent southern-born general in the Ky government, has quietly been dismissed as deputy premier and defense minister.

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[redacted] a unanimous decision to oust Co because of his recent political intrigues and flagrant corruption was reached by 12 ranking generals at a meeting on 17 January, prior to Premier Ky's departure for Australia. A general officer is being sent to Taiwan to inform Co, who arrived there the same day on an official visit, that he is being relieved of his duties --probably by the present chief of the Joint General Staff, General Cao Van Vien--and is to remain in temporary exile.

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Although the generals are reported to feel that Co lacks any solid base of power among southern elements, either civilian or military, and that no serious repercussions are therefore likely, police and troops around Saigon and in the delta are being alerted to possible trouble.

Some Ky supporters, who had been pressing for Co's replacement, had earlier voiced suspicion that Chief of State Thieu was backing Co, but there has been no substantiating evidence, and Thieu reportedly concurred in the decision taken. Thieu would have been unlikely, in any event, to block a move with wide military consensus in order to defend an officer as identified with corruption as is Co. However, he may well have private misgivings that Co's ouster is another step by Ky to strengthen the latter's bid for the future presidency.

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USSR: As part of an extensive campaign, party organizations in the major units of the Soviet armed forces are now being briefed--apparently on China.

Top leaders of the high command already have briefed party units in the Moscow, Leningrad, and other military districts, and in Soviet armed forces in East Germany.

Top-ranking party leaders two weeks ago initiated a similar program among civilian party stalwarts. On 17 January Foreign Minister Gromyko and KGB chief Semichastny conducted briefings in Moscow.

The campaign has become the most far flung and intensive exposition of policy to middle rank party members ever undertaken in the USSR. Lower ranking officials are now carrying the message to a wider circle of party members and into important government departments.



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USSR-Japan: Moscow and Tokyo will shortly sign a commercial contract for joint operation of an air service between the two capitals.

For the first two years, in accordance with a civil air agreement reached a year ago, the joint service will use Soviet aircraft and flight crews. Thereafter, the question of the Japanese using their own planes and crews will be reviewed.

Japan Air Lines foresees service beginning in April, but Moscow is pushing for an earlier date.

Under a recently signed agreement, Scandinavian Airlines System (SAS) will be permitted to fly to the Far East via Siberia--presumably also using Soviet aircraft and crews. SAS may have trouble in implementing these rights, however, since Japan has indicated its air agreement with SAS will have to be renegotiated to permit planes flying the Siberian route to land in Japan.

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Dominican Republic: President Balaguer has made personnel changes in his immediate entourage in an effort to improve the image of his government.

The removal of two presidential assistants widely regarded as "trujillistas" and their replacement with "more polished individuals" should lessen criticism of Balaguer's kitchen cabinet and improve the government's poor press relations. In addition, the designation of Fernando Amiama Tio, a long-time career diplomat, as head of the Foreign Ministry may indicate that Balaguer intends to delegate more responsibilities in this field. It is likely, however, that Balaguer will retain very close control over day-to-day government operations, particularly implementation of economic policies.

Despite these changes, opposition groups will continue to play up the theme that the government is reverting to a Trujillo-style dictatorship.

Meanwhile, the strike of secondary students is well into its second week with no sign of resolution. Some student leaders have privately admitted, however, that discouragement and disorganization exist in their ranks.

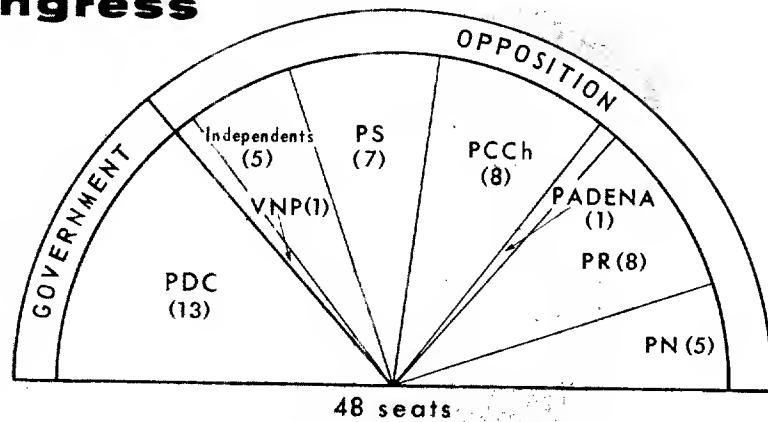
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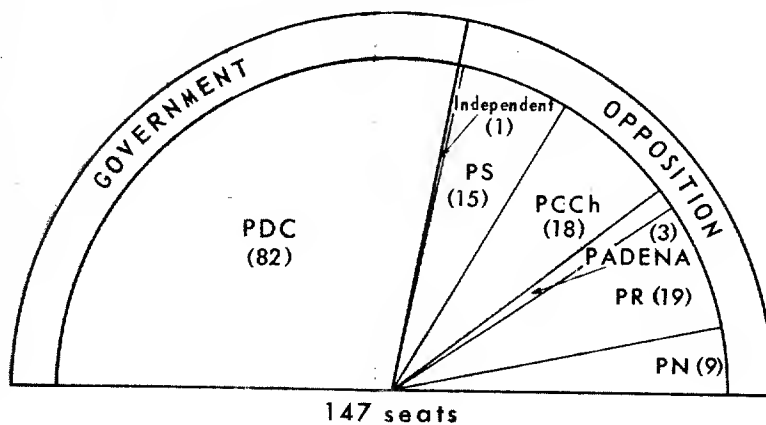
Composition of Chilean Congress

SENATE



(PDC) Christian Democratic
(VNP) National Popular Vanguard
(PS) Socialist
(PCCh) Communist
(PADENA) National Democratic
(PR) Radical
(PN) National

CHAMBER OF DEPUTIES



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Chile: The Senate's rejection of President Frei's request for permission to visit the US has provoked public demonstrations of support that over the long run will strengthen his hand in future dealings with Congress.

Foreign Minister Valdes has told the US charge in Santiago that Frei still hopes to make the trip. The request will be sent to the Chamber of Deputies, where Frei's Christian Democratic Party (PDC) has the votes needed to approve it. It will then go back to the Senate, which might reverse itself. If it does not, Valdes indicated Frei may make the trip anyway, since the Senate had no valid reason for its objection.

The opposition's motive was primarily to embarrass the President. The Senate has obstructed a number of Frei's reform programs during the past two years.

Frei is certain to exploit the fact that the negative vote has embarrassed Chile and hampered him in his conduct of foreign affairs. He may point out that with this precedent it will be difficult for him to attend the hemisphere summit meeting in April.

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NOTES

USSR-US: Moscow is ready to sign the treaty providing for peaceful exploration and use of outer space. In an aide memoire of 17 January the USSR accepted US procedural proposals and suggested that the agreement be concluded as soon as the UN Secretariat can prepare texts for simultaneous signing in Washington, Moscow, and London. This will be the first multilateral arms control agreement involving the US and USSR since the 1963 treaty limiting nuclear testing.

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Communist China - Macao: The evacuation of Portuguese dependents to Hong Kong is under way although the situation in Macao remains calm. Macao authorities have reportedly offered another new compromise to meet Chinese demands for an abject apology accepting Portuguese responsibility for the December riots.

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Congo (Kinshasa) - Belgium: Union Miniere officials in Lubumbashi (formerly Elisabethville) told the US consul on 18 January that some company installations will have to shut down in 10 or 15 days because spare parts are not available. They also said that European workers, who are essential to copper production, have shown no interest in working for Union Miniere's Congolese successor, and that some of them are leaving before their contracts expire. The officials may be exaggerating the seriousness of the situation, but even a relatively minor cutback in the company's activities in Katanga would exacerbate the already tense situation in the province.

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